

CHAPTER 5

FOREIGN CURRENCY

Normally, a disbursing officer (DO) uses United States dollars to pay U.S. military and civilian personnel assigned overseas. However, a DO's use of United States currency in an overseas or other special foreign location is not automatic. It is subject to strict monetary control regulations based on various diplomatic or financial relations between our government and the foreign country involved.

As a senior Disbursing Clerk (DK), you may find yourself assigned to a disbursing unit located in a foreign country. You may become involved in the exchange of U.S. dollars and local foreign currency. Like all other disbursing personnel operating in overseas units or other special foreign locations, you must be aware of the specific monetary control regulations associated with your location.

The first step is for your command to contact the local Department of State representatives concerning the foreign currency control regulations of that country. The next step is for your command to issue instructions to conform with the local procedures and regulations for that area. These instructions will include the guidelines that you and other command disbursing personnel must use to manage the exchange of U.S. dollars and local foreign currency. You will need to follow these guidelines carefully to carry out your responsibilities to help your DO support the financial obligations of the command or unit.

The *Department of Defense Financial Management Regulation* (DODFMR), Volume 5, sets forth complete and explicit instructions for the procurement, use, and disposition of foreign currencies. This chapter is just an overview of some of this information. It briefly discusses the regulations and guidelines disbursing personnel must use to procure, manage, handle, and dispose of foreign currency and the associated negotiable instruments. After reading the information in this chapter, you should be able to determine the general rules, regulations, and procedures the DOs of various afloat and ashore units must follow for the procurement, exchange, handling, disbursement, and disposal of foreign currency and negotiable instruments required to support disbursing operations at their activities. Remember, this chapter is intended only to be an overview. If you are dealing with foreign

currency, do not use this chapter or any other part of this TRAMAN as an operations manual. For official information, always consult the *DODFMR*, Volume 5.

PROCUREMENT OF FOREIGN CURRENCY

In nearly all international financial transactions, the U.S. dollar is the preferred currency. By far, the best situation is when the DO assigned to your overseas or foreign unit can complete a transaction by using U.S. Government-owned *excess* or *near excess* currency.

In this chapter, you will frequently encounter the terms *excess currencies* and *near excess currencies*. Both terms refer to U.S.-owned foreign currencies. Excess currencies are defined as U.S.-owned foreign currencies that the Department of the Treasury has determined to be in excess of the probable requirements of U.S. Government activities located overseas. Near excess currencies are U.S.-owned foreign currencies that the Treasury has determined to be in excess of the immediate requirements of these activities. When excess or near excess currencies are not available, a DO assigned to an overseas disbursing unit must procure the necessary foreign currency.

AUTHORITY FOR PROCUREMENT

Before a DO can proceed to obtain foreign funds for official purposes, he or she must be authorized in writing by the commanding officer (CO) or some other superior authority. The DO retains the written authorization in his or her retained files.

LIMITATIONS AND JUSTIFICATIONS

As previously stated, DOs of overseas units must not acquire or hold foreign funds in excess of their immediate disbursing requirements. What does this mean? How does a DO determine his or her "immediate disbursing requirements"? What conditions are involved?

Availability and Amounts of Foreign Funds

First, the availability of the foreign funds will govern what amounts the DO may hold, and these amounts are based on the following circumstances:

1. If the foreign funds are readily available, the amount of funds should not exceed 2 or 3 days' requirements.
2. If the foreign funds are not readily available, the amount of funds should not exceed 7 days' requirements.
3. Ships and mobile units visiting foreign ports for periods of 7 days or less should purchase only the amount expected to be needed for the port visit.
4. Ships or mobile units visiting foreign ports for more than 7 days must comply with the provisions of the first two conditions previously described.

Types of Currency

DOs will normally limit foreign funds to paper currency. Generally, a DO will avoid using foreign coins because of the typical problems associated with coins, such as weight, storage space, transportation, and disposition. In fact, a DO will acquire foreign coins only under special circumstances and usually unintentionally. Occasionally, a DO will acquire foreign coins to fill a specific need. Usually, however, a DO acquires foreign coins as change in connection with an official cash payment in foreign funds.

RESPONSIBILITIES

Upon being authorized to procure and use foreign currency, a DO undertakes special responsibilities. Some of these include making sure the following conditions exist or are enforced:

- Foreign currency is obtained and used for official purposes only.
- Foreign currency is not purchased or held in excess of immediate disbursing needs.
- Foreign currency purchases with U.S. dollars are made for "spot" delivery (delivery must be within 2 business days).
- Speculation in foreign currency is prohibited.
- Foreign currency purchases are made from a Military Banking Facility (MBF) whenever possible.

When no MBF is available, foreign currency purchases are made from U.S. DOs of the Navy, Marine Corps, or other military services, or the State Department or Treasury Department, if possible.

Foreign currency purchases are made at the prevailing rate.

Foreign currency collections are accompanied by a written statement giving their source and any restrictions on their use.

A DO must carry out all these responsibilities according to prevailing laws and monetary control regulations associated with that specific overseas or foreign location.

PROCUREMENT METHODS

A DO can obtain foreign currency by any of the following methods:

- Purchase with U.S. dollars, U.S. Treasury checks, or other negotiable instruments payable in U.S. dollars
- Exchange of official collections or reimbursements in foreign currency, or negotiable instruments payable in foreign currency, for U.S. dollars or negotiable instruments payable in U.S. dollars
- Purchase of drafts payable in foreign currency for remitting payments to Navy creditors

SOURCES OF PROCUREMENT

To procure foreign funds, DOs should use the following sources in the order of preference specified:

1. MBFs
2. Other U.S. Government sources
3. Commercial sources

The first choice is to procure foreign funds from an MBF. When an MBF is not available, the DO should try to use other available U.S. Government sources. When MBFs and other U.S. Government sources are not available, the DO should then try to obtain foreign funds from commercial sources, but only as a last resort. Let's take a closer look at these sources.

Military Banking Facility

MBFs are operated under Department of Defense contracts. Whenever possible, a DO should purchase foreign currency through an MBF. The DO issues a U.S. Treasury check in exchange for the foreign currency by making an exchange-for-cash disbursement check payable to himself or herself and endorsing it to the order of the MBF furnishing the currency. Next, the DO should request a signed certificate from the MBF stating the amount of foreign currency delivered, the rate of exchange, and the amount of U.S. dollars received in exchange. The DO retains this certificate and includes it in the official returns.

U.S. Government Sources

When no MBF is available, DOs should look to other U.S. DOs or activities as sources of foreign currency. This is particularly important when other DOs are holding excess or near excess currencies. U.S. Government sources include the following activities or officials:

- The U.S. Treasury
- Other DOD DOs
- U.S. DOs or cashiers at the American Embassy or Legation

To obtain foreign currency from these sources, the DO normally draws an exchange-for-cash disbursement check payable to himself or herself and endorses it to the order of the U.S. DO furnishing the foreign currency. When the source is a U.S. DO or cashier at an American Embassy or Legation, the procuring DO can make the check payable to the American Embassy or Legation, if so requested. Regardless of the source of procurement, the DO must request a signed certificate stating the amount of foreign currency delivered, the rate of exchange, and the amount of U.S. dollars received during the transaction. This certificate must be included as a part of the DO's financial returns.

Commercial Sources

When an MBF or another U.S. Government source is not available, the DO can turn to commercial sources. This is a last resort for many reasons.

First, the DO must strictly follow the applicable procedures established by State Department regulations

or the currency control laws of the country where the currency will be used. Second, if there are no established procedures, the DO must follow the local currency control regulations.

Next, the DO should try to procure foreign currency from the commercial source by sale of a U.S. Treasury check. If that is not possible, however, the DO can exchange U.S. currency for foreign currency.

When exchanging U.S. currency for foreign currency, the DO faces additional problems. Depending on the country, the legal rate of exchange may or may not be a fixed rate. The procurement guidelines the DO must follow depend on whether the foreign country has a fixed (official) or unfixed (unestablished) rate of exchange.

FIXED LEGAL RATE OF EXCHANGE.— A fixed legal rate of exchange exists when the rate of exchange has been established by agreement between the United States and the foreign country. In a country with a fixed legal rate of exchange, the DO can purchase foreign currency without the formality of obtaining bids. When currency is purchased under this provision, the DO must obtain a statement from the bank or other source showing the amount of U.S. dollars exchanged, the rate of exchange, the amount of the foreign currency purchased, the date, and the name and address of the bank or other source. This statement must be signed by a representative of the source from which the purchase was made and must be included in the DO's financial returns.

UNFIXED LEGAL RATE OF EXCHANGE.— An unfixed legal rate of exchange is when the rate of exchange has not been established by formal agreement between the United States and the foreign country. To obtain foreign currency in a country with an unfixed rate of exchange, the DO must obtain written bids from at least three authorized sources (if, in fact, these sources are available). The DO uses the DD Form 2668, Request for Bid (Purchase/Sale), to obtain the bids. Figure 5-1 shows a sample DD 2668 for the purchase of foreign currency.

When practical, the DO should also obtain bids from sources outside the country where the currency is to be purchased. Each written bid should be in duplicate. The DO is required to accept the bid that provides the most beneficial rate to the U.S. Government. Another commissioned officer must certify the bid as being the most beneficial of all the bids obtained. A copy of the accepted and certified bid must be included with the DO's financial returns. The

REQUEST FOR BID (Purchase/Sale)			
SECTION I - PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (ST-1193) FPO AE 09569-1814		2. DSSN 8289	
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED ITALIAN LIRE	
		5. U. S. DOLLAR AMOUNT \$10,000.00	
6. DISBURSING OFFICER NAME, RANK OR GRADE WILLIAM B. ELLIS, ENS, SC, USNR		7. DISBURSING OFFICER'S SIGNATURE <i>John B. Doe</i>	
8. DATE JUNE 22, 19XX		9. U. S. DOLLAR AMOUNT \$10,000.00	
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.		10. PAY BY (Check one) a. CHECK <input checked="" type="checkbox"/> b. CASH <input type="checkbox"/> XXX	
11. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT		12. SIGNATURE OF OFFERING OFFICIAL <i>G. C. Pavaloni</i>	
13. DATE JUNE 24, 19XX		14. CERTIFICATION	
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.		b. NUMBER OF BIDS 3	
		c. COMMISSIONED OFFICER NAME AND SIGNATURE JOSEPH L. SMITH, LT. USN <i>J. L. Smith</i>	
15. BID ACCEPTED		16. DISBURSING OFFICER NAME AND SIGNATURE WILLIAM B. ELLIS <i>W. B. Ellis</i>	
		17. DATE JUNE 25, 19XX	
SECTION II - SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION		19. DSSM	
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS	
22. DISBURSING OFFICER NAME, RANK OR GRADE		23. DISBURSING OFFICER'S SIGNATURE <i>J. L. Smith</i>	
		24. DATE	
		25. AMOUNT OF UNITED STATES DOLLARS OFFERED	
26. NAME AND TITLE OF OFFERING OFFICIAL		27. SIGNATURE OF OFFERING OFFICIAL <i>J. L. Smith</i>	
28. DATE		29. CERTIFICATION	
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.		c. COMMISSIONED OFFICER NAME AND SIGNATURE	
30. BID ACCEPTED		31. DISBURSING OFFICER NAME AND SIGNATURE	
		32. DATE	
33. REMARKS			

Figure 5-1.—Sample DD Form 2668, Request for Bid (Purchase/Sale) for purchase of foreign currency.

original accepted and certified bid is retained by the DO to prove the place of purchase in the event that some of the currency is later sold through commercial channels.

REVALUATION OF FOREIGN CURRENCY

We mentioned how the rate of exchange of some foreign currencies is set by official agreement. Any change in the official or agreed upon rate of exchange will result in gain or loss by revaluation. Revaluation is a change in the U.S. dollar value of the foreign currency.

You should understand the revaluation process because the rates of nearly all major foreign currencies fluctuate frequently as a result of changing market conditions. You should also understand the accounting procedures a DO must use for revaluation of foreign currency when the rate of exchange is backed by an official agreement between the United States and the specific foreign government and when it is not. Let's first look at the procedures the DO must use in the case of an official change in a fixed legal rate of exchange.

OFFICIAL RATES OF EXCHANGE

Upon receiving a notification of a change in valuation because of an official government action, the

DO should immediately make the change in his or her account. If possible, the DO should make the revaluation of the foreign currency on hand at the beginning of the business day in which the change in the prevailing rate occurs.

In revaluating the foreign currency, the DO first determines the new U.S. dollar value by dividing the total foreign currency on hand by the new exchange rate. The DO then compares the dollar value at the old rate with the dollar value at the new rate and determines whether a gain or a loss has occurred.

Gains and Losses

Because all foreign currency is carried in the DO's account at the U.S. dollar value, the DO must adjust this account by the value of the gain or loss resulting from the revaluation. The DO does this by recording the gain or loss by revaluation as a transaction in the account.

Documentation

The DO must prepare and sign a Certificate of Revaluation, similar to the one shown in figure 5-2. This certificate will be attached as a supporting document to the DD 1131 or SF 1034, which the DO must also prepare to account for the gain or loss by revaluation. The DO must record the gain or loss as a

PERSONNEL SUPPORT ACTIVITY FAR EAST YOKOSUKA, JAPAN		
04 March 19XX		
CERTIFICATE OF REVALUATION OF FOREIGN CURRENCY AS THE RESULT OF A CHANGE IN THE PREVAILING RATE		
Value of Japanese yen changes from 125 yen per U.S. dollar to 127 yen per U.S. dollar as of this date in accordance with instructions furnished by Headquarters United States Forces, Japan.		
Revaluation of yen on hand	<u>Yen</u>	<u>U.S. Dollars</u>
03 Mar 19XX - Old rate	25,000 at 125/\$1.00	\$200.00
- New rate	25,000 at 127/\$1.00	196.85
Loss by revaluation		\$ 3.15
The loss by revaluation of \$3.15 expended on DOV 12345 dated 04 March 19XX.		
J. T. BOAT Symbol 6870		

Figure 5-2.—Certificate of Revaluation due to change in prevailing rate.

collection (gains) or disbursement (losses), as applicable. All gains or losses will be charged or credited to the appropriation Gains and Deficiencies on Exchange Transaction, 17-6763. The proper accounting procedures for documenting gains and losses are shown in figure 5-3.

UNOFFICIAL FLUCTUATIONS

In countries where the rate of exchange is not established by agreement between the U.S. Government and the foreign country, the DO does not have to revalue these currencies. Instead, the DO expends them from the accounts by using the average purchase rate of the currency on hand. However, in countries without an established rate of exchange, changes in value may often occur. What happens when a DO must increase the amount of foreign currency on hand by purchase, collection, or transfer from another DO at a rate of exchange that is different from the rate the DO is currently using? In these cases, the DO must compute and use a new average purchase rate. No gain or loss will result from these transactions.

Average Purchase Rate

If possible, the average value of foreign currency on hand should be determined at the beginning or end of the business day.

To determine the average purchase rate, the DO adds the U.S. dollar equivalent value of the foreign currency on hand (before the new acquisitions) to the U.S. dollar equivalent value of the additional foreign currency received. This total is divided into the new total of foreign currency units on hand.

Documentation

A certificate of change in average purchase rate, similar to the example shown in figure 5-4, must be prepared and signed by the DO or deputy. The certificate should be submitted with the Statement of Accountability, SF 1219.

You have just read about revaluations based on official rates of exchanges and those caused by unofficial fluctuations. In the following section, we will look at the various ways a DO can use to dispose of foreign currency.

1. Appropriation	17-6763
2. Subhead	0000
3. Object class	000
4. Bureau control number	10001
5. Suballotment	0
6. Authorization accounting activity	000012
7. Transaction type	3C for gains 2I for losses
8. Property accounting activity	000000
9. Cost code	00*****98004
GAINS	
17-6763.0000 000 10001 0 000012 3C 000000 00*****98004	
LOSSES	
17-6763.0000 000 10001 0 000012 2I 000000 00*****98004	
* Insert unit identification code of disbursing officer's activity.	

Figure 5-3.—Accounting data for gains and losses in foreign currency transactions.

USS ENTERPRISE (CVN-65)

10 March 19XX

CERTIFICATE OF REVALUATION OF FOREIGN CURRENCY UPON RECEIPT OF ADDITIONAL FUNDS

Total amount of Philippine	<u>Pesos</u>	<u>U.S.Dollars</u>
pesos on hand at the close of business		
09 March 19XX	2,400 at 21.00/\$1.00	\$114.29
Philippine pesos received		
this date through sale of Treasury check		
No. 1234 for \$1,000.00	<u>20,000</u> at 20.00/\$1.00	<u>1,000.00</u>
	22,400	\$1,114.29

22,400 divided by \$1,114.29
equals 20.10/\$1.00, new rate on
Philippine pesos, 10 March 19XX 20.10

No collections or disbursement vouchers processed this date prior to revaluation of Philippine pesos.

J. T. BOAT
Symbol 5752

Figure 5-4.—Certificate of Revaluation upon receipt of additional funds.

DISPOSITION OF FOREIGN CURRENCY

ADO can use a variety of ways to dispose of foreign currency. As previously mentioned, the DO can use the foreign currency to make payments. Or, the DO can sell the foreign currency to authorized personnel (accommodation sales), to other DOs, or through commercial channels. The DO can also deposit foreign currency to the credit of the U.S. Treasury. In the following paragraphs, we'll look at each of these options.

ACCOMMODATION EXCHANGES

An accommodation exchange service is the selling and repurchasing of foreign currency for U.S. dollars for the convenience of authorized personnel. In countries served by an MBF, all accommodation exchanges are normally made by the MBF or other authorized on-base facilities. In fact, a DO is prohibited from repurchasing foreign currency from individuals when an MBF is available for this purpose. If there is no MBF or if other authorized facilities cannot adequately provide the service, the activity's CO or the area commander may authorize the DO to perform accommodation exchanges.

Eligibility

Personnel who are eligible for accommodation exchange services by a DO are those who are authorized to cash negotiable instruments.

Documentation

DOs who are authorized to make accommodation sales of foreign currency are required to maintain the DD Form 2664, Currency Exchange Record. A sample DD 2664 is shown in figure 5-5. A DO is required to maintain this form on a daily basis. The daily use of the DD 2664 ensures that the authorities and limitations placed on the DO are followed.

Regulations

DOs who are authorized to make accommodation repurchases must follow strict guidelines. Some of these guidelines are general, but there are also specific rules governing a variety of situations. We will describe the general guidelines first.

GENERAL.— In general, DOs must use the following guidelines for making accommodation repurchases and must make certain the following conditions remain enforced:

Figure 5-5.—Sample DD Form 2664, Currency Exchange Record.

- That repurchase of foreign currency will not result in increasing the foreign currency holdings beyond the immediate disbursing requirements.
- That repurchases are made at the rate at which the DO is holding the foreign currency.
- That repurchase of foreign currency has been approved by the CO or area commander.
- That a record is maintained on the DD 2664 to reflect the amount and source of funds.

FOR PERSONNEL DEPARTING THE OVERSEAS AREA.— There are additional rules for the repurchase of foreign currency from personnel departing the overseas area either on permanent change of station orders or for temporary home leave. In these cases, the DO must follow the appropriate rules according to the specific situation and make certain the following conditions are enforced:

- The amount repurchased does not increase the DO's foreign currency on hand beyond that needed for official purposes.
- The repurchase is within existing foreign currency control laws; agreements between the U.S. Government and the host country; or the spirit of the policies governing business activities of the Department of Defense, its personnel, and their dependents.
- If the amount repurchased exceed 1 month of the person's salary and allowances, a signed statement from the person and the written approval of the CO or area commander must be provided to the DO. The signed statement must describe the source of the foreign currency and certify that it was not received in violation of military regulations or the currency control laws of the country concerned.

FOR AFLOAT UNITS VISITING A FOREIGN AREA.— The guidelines for DOs of afloat or mobile units visiting foreign ports or areas are slightly different. In these cases, DOs are authorized to make accommodation exchanges for assigned personnel without prior approval. The DO is required to maintain a record of sales using a DD 2664. For afloat or mobile units, repurchase is permitted according to the following conditions:

- The DO needs the foreign currency or can dispose of it within 30 days.

- The individual requesting the repurchase is not attempting to convert an amount greater than the amount he or she last purchased (as shown by the DO's records).
- As indicated by the applicable rules and regulations governing accommodation repurchases, a DO must follow the guidelines that pertain to the specific situation.

DEPOSITARY CHECKING ACCOUNTS

Many DOs in foreign countries will maintain depositary checking accounts. A depositary checking account allows a DO to pay for government obligations by check in the local currency. A DO who maintains a depositary checking account must deposit any excess currency and checks payable in the local currency to that account.

SALE TO ANOTHER DOD DISBURSING OFFICER

For a DO without access to a depositary checking account, the next preferred method of disposal of foreign currency is by sale to another Navy or Marine Corps DO located in the country of the monetary unit involved. The selling DO must deliver the excess currency and negotiable instruments by registered mail or courier to the purchasing DO. The selling DO must include a Shipment of Funds, DD Form 165, and a letter of transmittal requesting a U.S. Treasury exchange-for-cash disbursement check. The DD Form 165 must indicate the country, type, amount, exchange rate, and U.S. dollar value of the instruments and cash.

Normally, the rate of exchange used should be the rate at which the currency is carried in the accounts of the selling officer. However, if the selling officer's rate is different from the official rate established by the local government or by another competent authority, the official rate must be used. And, the selling officer must account for the resulting gain or loss.

SALE TO AN MBF

A DO who does not have the option of selling foreign currency to another DOD DO is authorized to sell it to an MBF. But, the DO is authorized to do this only under certain conditions.

First, the selling DO must ascertain that no other DOD DO is available to purchase the foreign currency. Next, the MBF to which the DO intends to sell the

foreign currency must actually have a use or need for it. The rate of exchange will be the MBF's purchasing rate on the date the currency is exchanged. Any gain or loss will be taken up in the selling DO's accounts.

SALE THROUGH COMMERCIAL CHANNELS

When a DO is unable to sell foreign currency (cash) by any of the methods we have already described, he or she is authorized to sell it through commercial channels. When the rate of exchange has been established by agreement between the United States and the foreign country, the sale must be made at the established rate. When the rate of exchange has not been officially established, the DO must request at least three bids from reputable banks or dealers in foreign exchange, if these sources are available. The DO uses the DD 2668 to solicit the bids. (Fig. 5-6 shows a sample DD-2668 for the sale of foreign currency.) The best bid will be accepted and must be certified by a commissioned officer other than the DO as the best bid of all the bids obtained. The DO must submit this bid with his or her financial returns.

DEPOSITS TO THE CREDIT OF THE U.S. TREASURY

When no other method is available to dispose of foreign funds, the DO may deposit them to the credit of the U.S. Treasury. The DO must use different procedures for disposing of cash and other negotiable instruments.

Cash

To deposit foreign cash, the DO uses a specific procedure. The DO must first make arrangements with the Bank of America.

BANK OF AMERICA.— The DO's first step is to contact the Bank of America's foreign currency desk. The foreign currency trader at the Bank of America uses the client number for the U.S. Treasury (37539) plus the disbursing office symbol number of the selling DO to identify the transaction. The foreign currency trader also provides the currency exchange rate immediately along with the U.S. dollar equivalent. (The Bank of America can do this because the currency is being contracted for sale at that time. But, this makes it imperative for the DO to notify the Bank of America immediately of any change in the type or amount of the currency or a delay in shipment.)

SHIPMENT.— The DO must prepare a separate SF 215 for each type of currency. On the SF 215, the DO must also indicate the name of the foreign country,

the type and amount of the foreign currency, and the 5-digit client number. The DO must also prepare a Shipment of Funds, DD 165, and include it with the foreign currency and the SF 215. Next, the DO places both forms (DD 165 and SF 215) and the foreign currency in a sturdy brown envelope reinforced with standard shipping tape. If the amount is less than \$100 dollars, the DO sends the package by certified mail. For amounts from \$100 to \$5,000, the DO must use registered mail. If the amount exceeds \$5,000, the DO must use a Brinks self-sealing shipping bag.

CREDIT AND DOCUMENTATION.— Upon the sale of the currency, the Bank of America will give dollar credit to the Treasury and return the confirmed copy of the SF 215 to the DO. Usually, the transaction takes place without problems. Unfortunately, however, problems can and do occur. What happens if the DO makes an error in the deposit? What happens if the Bank of America discovers the foreign currency is counterfeit? If the DO makes a deposit ticket error, the Bank of America will adjust the error. The bank will issue an SF 5515, Debit Voucher, for a decrease in the amount. Or, it will issue an additional SF 215 for an increase in the amount. In either case, the bank will enter an explanation on the SF 5515 or SF 215, as well as the original SF 215. In the case of foreign currency found to be counterfeit, out of circulation, or outdated (having a lesser value), the Bank of America will prepare an SF 5515 and note the date of receipt, the currency note, and the serial number. Upon request, the bank will send a facsimile copy of the note to the selling DO.

Negotiable Instruments

There are several different classes of negotiable instruments. The type of negotiable instrument is based on the way it is payable. The first type of instrument is drawn on a foreign bank, but it is payable in U.S. dollars through a bank in the United States. The other types of instruments are handled differently. Some are instruments drawn on foreign banks payable in U.S. dollars through a foreign bank. Others are instruments drawn on foreign banks payable in foreign currency. These two categories are handled differently from the first type. Let's take a brief look at how each of these types of negotiable instruments is deposited.

DRAWN ON A FOREIGN BANK/PAYABLE IN U.S. DOLLARS THROUGH A BANK IN THE UNITED STATES.— These instruments are deposited with the normal deposits made for U.S. bank instruments.

REQUEST FOR BID (Purchase/Sale)			
SECTION I - PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION		2. DSSN	
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED	5. U. S. DOLLAR AMOUNT
6. DISBURSING OFFICER NAME, RANK OR GRADE	7. DISBURSING OFFICER'S SIGNATURE	8. DATE	
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.		9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED	10. PAY BY (Check one) a. CHECK b. CASH
11. NAME AND TITLE OF OFFERING OFFICIAL	12. SIGNATURE OF OFFERING OFFICIAL	13. DATE	
14. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS	c. COMMISSIONED OFFICER NAME AND SIGNATURE	d. DATE
15. BID ACCEPTED	16. DISBURSING OFFICER NAME AND SIGNATURE	17. DATE	
SECTION II - SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814		19. DSSM	
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS	
22. DISBURSING OFFICER NAME, RANK OR GRADE MARY N. CHRISTMAS, ENS, SC, USNR	23. DISBURSING OFFICER'S SIGNATURE <i>Mary N. Christmas</i>	24. DATE JULY 12, 19XX	
		25. AMOUNT OF UNITED STATES DOLLARS OFFERED	
26. NAME AND TITLE OF OFFERING OFFICIAL F. A. BRUSH, VICE PRESIDENT	27. SIGNATURE OF OFFERING OFFICIAL <i>F. A. Brush</i>	28. DATE JULY 12, 19XX	
29. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	c. COMMISSIONED OFFICER NAME AND SIGNATURE Jack R. Frost, LT, USN <i>Jack R. Frost</i>	d. DATE JULY 13, 19XX	
30. BID ACCEPTED	31. DISBURSING OFFICER NAME AND SIGNATURE Water T. Door <i>Water T. Door</i>	32. DATE JULY 13, 19XX	
33. REMARKS			

DD Form 2668, AUG 93

86NP0020

Figure 5-6.—Sample DD Form 2668, Request for Bid (Purchase/Sale) for the sale of foreign currency.

DRAWN ON A FOREIGN BANK/PAYABLE IN FOREIGN CURRENCY.— The DO must also endorse and forward these instruments to Citibank, but

- The name of the bank on which the instrument is drawn
- The medium of exchange
- The foreign currency amount
- The date of the instrument

Upon collection of the instrument, Citibank will enter the date and U.S. dollar amount on the SF 215 and return the confirmed copy to the DO.

UNCOLLECTED CHECKS AND COLLECTION CHARGES.— As mentioned previously, Citibank may find some checks on foreign banks to be uncollectible. It may also assess charges for processing some of these instruments. The U.S. Treasury has established a minimum amount per check,

86N P0021

Figure 5-7.—Sample DD Form 2663, Foreign Currency Control Record (front).

as valued in U.S. dollars. The value of each check must be or exceed the established minimum amount before Citibank will accept it for deposit. For checks from Canadian banks, the minimum amount per check is \$5.00 (U.S. dollars). For checks drawn on banks in other foreign countries, the minimum amount per check is \$15.00 (U.S. dollars). Sometimes, collection charges, such as uncollectible check charges or exchange fees, are incurred in connection with the foreign checks. These charges are assessed and, after dollar credit has been given to the Treasury, they are charged back to the DO. The DO will receive an SF 5515 prepared by Citibank showing these charges.

Upon receipt of the SF 5515 from Citibank, the DO is responsible for collections. Exchange fees and other collection charges are collectable from the person or vendor who presented the instrument to the DO. However, if collection cannot be made or is otherwise impractical, the assessed charges are properly chargeable to the disbursing activity's operations and maintenance funds. Any gain or loss as a result of a

difference in the dollar amount of the foreign currency as carried by the DO and the rate of exchange when processed by Citibank will be accounted for the same as any other gain or loss on revaluation.

FOREIGN CURRENCY RECORDS AND REPORTS

All transactions involving foreign currency are treated as cash transactions and basically follow the same principles and guidelines established for controlling U.S. currency. However, disbursing personnel involved in foreign currency are required to maintain specific records.

SUBSIDIARY RECORDS

All DOs, agents, or cashiers who engage in foreign currency transactions are required to maintain a record of those transactions on a DD Form 2663, Foreign Currency Control Record. A sample DD 2663 is shown in figures 5-7 and 5-8.

FOREIGN CURRENCY CONTROL RECORD (Section II)										8. COUNTRY France	
										7. CURRENCY UNIT TYPE Fr Franc	
8. DISBURSEMENTS		9. DEPOSITS/SALES/TRANSFERS		10. GAIN OR LOSS	11. SUB BALANCE				12. COMBINED BALANCE		
UNITS	DOLLARS	UNITS	DOLLARS	DOLLARS	a. ON HAND		b. LDA		UNITS	DOLLARS	
				10.00	100	110.00			100	110.00	
					110	121.00			110	121.00	
60	66.00				50	55.00			50	55.00	
		40	44.00		10	11.00			10	11.00	
60	66.00	40	44.00	10.00							

DD Form 2663, AUG 93 (Back)

86NP0022

Figure 5-8.—Sample DD Form 2663, Foreign Currency Control Record (back).

The DD 2663 shows the current balance of foreign currency on hand and in limited depositaries. It also shows the detailed transactions that increased or decreased the balance. Separate DD 2663s will be maintained for each currency used. Also, a separate DD 2663 will be maintained for the accommodation exchange of foreign currency if it is carried at a different exchange rate than that used for disbursements.

QUARTERLY REPORTS

The following three quarterly reports on foreign currency transactions must be submitted to DFAS-CL:

1. Cumulative Report of Foreign Currency Purchased With U.S. Dollars From Sources Outside the U.S. Government
2. Report of the Balance of Foreign Currency Held Under Dollar Accountability
3. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury

Each report contains specific information, but your disbursing unit can consolidate all three reports since they are all forwarded to the same place. The reports must be submitted within 15 calendar days after the close of each quarter.

Cumulative Report of Foreign Currency Purchased With U.S. Dollars From Sources Outside the U.S. Government

This report is submitted at the end of each quarter and is cumulative for the fiscal year. It includes amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange. It is submitted in the form of a listing under the following headings:

- Country of Currency
- Monetary Unit
- Number of Units Purchased
- Total Dollar Outlay
- Memorandum—Dollar Outlay for Accommodation Exchanges

Report of the Balance of Foreign Currency Held Under Dollar Accountability

This report is also in the form of a listing under the following headings:

- Country of Currency
- Monetary Unit
- Number of Units
- Dollar Equivalent
- Rate of Exchange

Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury

These funds are received for such things as fees and services. They are immediately purchased by DOs with appropriated funds. They are used for operating needs. Repayments to appropriations are excluded. The report will be in the form of a listing under the following headings:

- Country of Currency
- Monetary Unit
- Number of Units
- Dollar Equivalent
- Rate of Exchange

DFAS-CL will consolidate these three quarterly reports. DFAS-CL will then forward them directly to DFAS-Headquarters in time to be delivered to the U.S. Treasury 45 calendar days after the close of each quarter.

STATEMENT OF ACCOUNTABILITY

All foreign currency balances held under a DO's dollar accountability, including limited depositary checking account balances, will be reported on the Statement of Accountability, SF 1219. All entries in the amount column will be expressed in their U.S. dollar equivalent with the monetary unit or units of foreign currency shown in parentheses in the blank spaces next to the caption of the applicable line.

SUMMARY

Foreign currency transactions, although not particularly difficult, do require compliance with many

regulations involving foreign governments, the U.S. Government, and the Department of Defense. The same mandatory strict accountability and security you are required to use for U.S. currency applies also to the procurement, handling, and disposal of foreign currency. One of the big differences in accounting for foreign currencies is that the value of a foreign currency may fluctuate, requiring disbursing personnel to make a revaluation of the currency on hand and maintain the

supporting documents to account for the resulting gain or loss.

Disbursing personnel must follow specific guidelines for the procurement and disposition of foreign currency to make certain the most beneficial rates of exchange are always obtained. The information in this chapter was intended to provide you with a general overview of some of these duties and responsibilities.

